



# Legislative Tool Box



## **Appropriation Process Budget Analysis**

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## Legislative Toolbox

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## 1. Introduction

Budgeting is the allocation of limited resources among competing priorities. Used properly, the budgeting process can be an important tool in the legislative oversight, evaluation and management control of State programs. The final legislative budget establishes the plan of action for the coming fiscal year.

Utah has a unique legislative appropriation process. It is a process that depends on good communications. Every legislator participates in the appropriations process and sits on a Joint Appropriations Subcommittee. The appropriations process is an important aspect of “Legislative Oversight”. When implemented correctly, it can hold the executive branch accountable for its efforts. It can also improve the allocation of the citizens’ resources for State purposes.

There are nine appropriation subcommittees that recommend funding for various State government programs. Each subcommittee provides oversight for one or more state agencies. There is never enough money to fully fund everything government would *like* to do. During the Legislative Session the Subcommittees will prioritize tasks to be done and the appropriate funding level for each program. Their recommendations are then considered by the Executive Appropriations Committee which approves the overall level of funding.

Ultimately, final recommendations become part of an appropriation bill, passed by the entire Legislature.

The nine appropriations subcommittees are:

1. Executive Offices and Criminal Justice
2. Capital Facilities & Administrative Services
3. Commerce and Revenue
4. Economic Development & Human Resources
5. Health and Human Services
6. Higher Education
7. Natural Resources
8. Public Education
9. Transportation and Environmental Quality

This booklet includes various aspects of the budgeting process, a brief

glossary of terms and a listing of Fiscal Analysts by subcommittee assignment. In addition, a short checklist is provided which can be used to help you as a legislator identify some of the important issues that should be discussed during legislative budget hearings.



## 2. Utah Budget Cycle

- June**            **GOVERNOR'S OFFICE OF PLANNING AND BUDGET**  
Issues budget forms and instructions
- July-Sept.**   **STATE AGENCIES**  
Prepare budget requests in triplicate
- Sept.-Oct.**   **GOVERNOR'S OFFICE OF PLANNING AND BUDGET**  
Reviews agencies' request and prepares summary for Governor
- Oct.-Nov.**   **GOVERNOR AND THE GOVERNOR'S OFFICE OF PLANNING AND BUDGET**  
Hold hearings on agencies's request and prepare Governor's recommendation
- Dec.**           **GOVERNOR'S OFFICE OF PLANNING AND BUDGET**  
Issues Governor's budget recommendations
- Sept.-Dec.**   **LEGISLATIVE FISCAL ANALYST**  
Reviews agencies' requests and prepares recommendations for Legislature. Reviews the Governor's budget recommendations
- Jan.**          **LEGISLATURE**  
Receives Governor's budget and message, reviews Fiscal Analyst's recommendations, and refers budgets to joint appropriation subcommittees

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**January through last week of Session****JOINT APPROPRIATION SUBCOMMITTEES**

Divides into nine subcommittees, holds hearings with agencies, makes decisions on the line items and reports to Executive Appropriations Committee.

**Appropriations Subcommittees:**

1. Executive Offices and Criminal Justice
2. Capital Facilities & Administrative Services
3. Commerce and Revenue
4. Economic Development & Human Resources
5. Health and Human Services
6. Higher Education
7. Natural Resources
8. Public Education
9. Transportation and Environmental Quality

## **Last Weeks of Session**

### **EXECUTIVE APPROPRIATIONS COMMITTEE**

Holds hearings with chairmen of subcommittees and concerned agencies - approves actions of subcommittees; recommends further action, or as last resort, makes alterations to balance budget; directs Fiscal Analyst to prepare appropriations act for action by entire Legislature

## **End of Session**

### **LEGISLATURE**

Debates and passes appropriations bill, usually, a second small bill will be passed for last minute items such as the effect of bills passed that impact the budget.

## **After Session through May**

### **GOVERNOR**

Reviews appropriations bill(s) and signs, vetoes, item vetoes, or lets pass into law without signature.





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**After Session through May****AGENCIES AND GOVERNOR'S OFFICE OF PLANNING  
AND BUDGET**

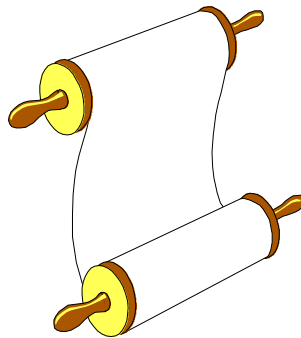
Prepares and reviews work programs and budget execution documents.

**After Session****LEGISLATIVE FISCAL ANALYST**

Prepares appropriations report, including detail and legislative intent.

**Interim****LEGISLATIVE FISCAL ANALYST**

Staff performs Legislative oversight, management studies, program evaluation, and monitors revenue and expenditures.



### **3. Significant Dates related to the Annual General Session**

*(From the Office of Legislative Research & General Counsel)*

**December 1<sup>st</sup>** - Last day for governmental entities to request bills and the last day for legislators to prioritize up to three bills.

**Third Wednesday in December** - Last day for executive Appropriations Committee to set initial budget.

**Third Monday in January** - First day of Legislative General Session.

**By noon on the 11th day** - Last day to request bills and last day to approve bills for numbering.

**Before adjourning on the 33<sup>rd</sup> day** - Last day to prioritize bills and other programs with fiscal impact.

**By the 38<sup>th</sup> day** - Final meeting of Executive Appropriations Committee on all budget matters

**By noon on the 40<sup>th</sup> day** - Bonding bill available to legislators and final action taken on it by calendared closing time.

**Before adjourning on the 40<sup>th</sup> day** - Last day to pass bills with fiscal note of \$10,000 or more.

**By the 42<sup>nd</sup> day** - Last day for a motion to reconsider and last day to consider bills from own house.

**By calendared floor time on the 43<sup>rd</sup> day** - General appropriations bill, supplemental appropriations bill and school finance bill available to legislators and final action taken on each bill by calendared closing time.

**By calendared floor time on the 45<sup>th</sup> day** - Second supplemental appropriations bill available to legislators and final action taken by noon.

**21 days after last day of session** - Last day governor may sign or veto bills.

**Day before normal effective date of bills** - Last day a veto/override session may begin

**60 days after last day of session** - Normal effective date for bills and first day to file bills for the next session.

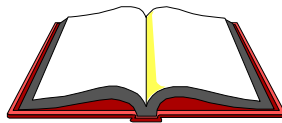


#### **4. How a Bill Becomes a Law**

*(From the Office of Legislative Research and General Counsel)*

1. A constituent contacts a representative and requests legislation.
2. The representative submits a request for legislation to the Office of Legislative Research and General Counsel. The appropriate attorney reviews existing law, researches the issues, drafts the legislation, and reviews the legislation for statutory or constitutional concerns.
3. A copy of the legislation is given to the representative. The representative approves the legislation for introduction during the session.
4. The legislation is numbered and copies are delivered to the docket clerk in the House of Representatives, bill room, and the Internet.
5. The bill is introduced by title and read the first time then referred to the Rules Committee where the bill is examined for proper form and fiscal impact.

6. The Rules Committee reports back to the House, orders that the bill be printed with the fiscal note for distribution, and recommends to the Speaker of the House and standing committee to which the speaker should send the bill.
7. The assigned standing committee - in public session - holds a meeting to review the bill. The committee may amend, hold, table, substitute, or make a favorable recommendation on the bill.
8. The committee report is read to the House of Representatives and adopted by motion. This considered the second reading of three constitutionally required readings. The bill is then placed on the calendar for the third reading.
9. The bill is read to the House by title a third time and then explained by the sponsoring representative who answers questions that may be asked. Other representatives may speak and propose amendments to the bill.



10. A motion for the “previous question” closes debate and stops further amendments to the bill. In order for the bill to pass, the bill must receive a minimum of 38 votes which is a majority of the 75 possible.
11. If passed in the House, the bill is sent to the Senate with a communication informing the Senate that the bill has passed the House and requesting further action by the Senate.
12. The bill is read by title a first time and referred to the Rules Committee where the bill is assigned to a standing committee. The committee may amend, hold, table, substitute, or make a favorable recommendation on the bill. In the Senate, a motion for “previous question” requires a majority vote in committee. This motion is not allowed on the Senate floor.
13. The committee report is read to the Senate and the bill is placed on the Second Reading Calendar.
14. The bill is read a second time and debated. It is voted on and must pass in order to advance to third reading.
15. The bill is then read a third time and debated. To pass, the bill must receive a minimum of 15 votes which is a majority of the 29 possible.

16. After the bill has passed both houses, it is signed by both presiding officers and examined by the Office of Legislative Research and General Counsel in a process called enrolling. The office prepares the bill in final form with all amendments included and returns it to the House of Representatives. This enrolled bill is an exact, accurate, and official copy of the enacted “bill”
17. The final bill is printed and sent to the governor for his signature. If the governor fails to sign the bill, the bill automatically becomes law without his signature. The governor has the power to veto the bill and send his objections to the presiding officers of the House and Senate.
18. A bill enacted at a legislative session is effective 60 days following adjournment, unless another date is specified within the bill.

## 5. Fiscal Notes

A fiscal note is an estimate of the amount of present or future revenue and/or expenditures that will be effected by the passage of a given bill. Fiscal notes are also provided for substitute bills and amendments if requested by the sponsor.

The Office of the Legislative Fiscal Analyst (LFA) is responsible for the preparation and content of the fiscal notes. Section 36-12-13, UCA includes the following charge to the Fiscal Analyst.

- To prepare cost estimates on all proposed bills that anticipate expenditures by state, county, municipal, or special district governments.
- To prepare cost estimates on all proposed bills that anticipate direct expenditures by any Utah resident, and the cost to the overall impacted Utah residential population.

The Analysts use information from agencies, associations and other organizations and individuals to assist in the fiscal note preparation. By rule, this process should take no more than three days.

**NOTICE** - Once the fiscal note is approved by the Legislative Fiscal Analyst, the note is sent to the bill's sponsor for review. Legislative rules require the sponsor to respond with comments on the note within 24 hours. The next page is a note outline.





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**Fiscal Note**

Date

Bill Number HB or SB 0XXX Time

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1.) **Narrative Summary** - The first sentence attempts to summarize the fiscal impact for the first year implementation of the bill. The summary pertains to the costs and expenditures and identifies to whom the appropriation is to be made. It is not to comment on the acceptability or relevance of the bill.

This section can also include long-term financial projections if applicable.

2.) **Financial Summary** - A two year summary of numbers indicating potential revenue and/or expenditures. The financial summary details the funding sources. This section also indicates whether an appropriation is one-time or ongoing.

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3.) **Individual and Business Impact** - This section specifies the fiscal impact to the affected groups or individuals or both. It is an attempt to help legislators better understand the fiscal impact of the implementation of the bill.

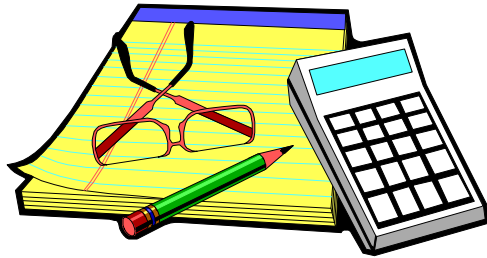
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**Office of the Legislative Fiscal Analyst**

## 6. Program Mission and Goals

Most state agencies are structured to include departments, divisions, and programs. Typically, programs are the individual activity centers under a division. Appropriations are usually made at the division level, in an Appropriations Act as a line item giving division directors flexibility in funding the programs in a line item within the division. Funds can be moved between programs within a line item, but not between line items.

Most programs have succinct statements of purpose. A significant part of the budget analysis process is to determine if a program is, in fact, meeting the purpose(s) for which it was established.



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## 7. Performance Measurement

**Performance measures** are developed by most programs in Utah State government for Utah Tomorrow, the Department's strategic plan, or to justify a building block request. These measures may or may not be evident in the budget hearing. What is measured can have serious policy and operational implications. The following are some questions to consider.

- Is the performance measure directly related to one or more of the agency's goals and/or to statutory requirements?
- Is the measure an activity, input, output, or outcome measure?
- Is the outcome reliably measurable? Will it measure the same thing over a period of time? Will the data be available on a continuing basis?
- Can the agency gather the necessary data regarding the expected change(s) without incurring excessive costs or undertaking cumbersome procedures?
- Does the outcome show what difference the agency's action will have on the issue?
- Is the performance measure clear? Are the terms generally accepted and defined? Will the measure be easily understood by those who are unfamiliar with the subject?
- Will the performance measure enable a decision to be made or lead to a valid conclusion concerning the agency's action?

## **8. Prioritization**

There are usually requests for more resources than are available, therefore, some system of prioritization is required. The following listing is a starting point which may be helpful in prioritizing competing requests and demands.

- I. Program reduction - Can this program be reduced or eliminated?  
What impact would this action have?
- II. Federal mandates - Are there federal requirements that must be met?  
Are there penalties or rewards associated with these mandates?
- III. State mandates - Are there State laws or statutory requirements that must be satisfied? Have there been recent court decisions affecting the meaning of those laws?
- IV. Compensation - Salary and benefit adjustments for employees.
- V. Enrollment growth - Growth related to the number of program participants.

- VI. Workload - Program changes related to the volume of service being provided by a program.
- VII. Program maintenance - Adjusted costs associated with continuing a program at current service level.
- VIII. Program enhancement - Budgetary changes to a program to expand or improve the service provided by a program.
- IX. New programs - Programs not previously provided by the State.



## 9. Revenue - Funding Sources

Budgeted revenues are estimates of anticipated receipts as determined by the Legislative Fiscal Analyst and approved by the Executive Appropriations Committee. This committee, in conjunction with the Office of the Legislative Fiscal Analyst prepares allocations of state funds for each of the Joint Appropriations Subcommittees. Other sources of funding may also be available for subcommittee use, such as Federal Funds, Dedicated Credits Revenue, Trust Accounts and Restricted Revenue. Key revenue categories are:

**General Fund (GF)** - The primary revenue source is the sales tax, although there are several other taxes and fees that contribute to the General Fund. General Funds can be spent at the discretion of the Legislature, as the Constitution allows.

**Uniform School Fund (USF)** - Revenue from personal income taxes and corporate franchise taxes make up most of the Uniform School Fund.

**Income Tax** - A major source of revenue for the Uniform School Fund and a potential source of revenue for Higher Education.

**Transportation Fund** - Funding is primarily from the gas tax. This revenue is constitutionally restricted to road and highway related issues.

**Dedicated Credits Revenue** - This is money that is paid to an agency by other agencies or the public for services or goods and is dedicated to paying for expenses of the agency.

**Federal Funds** - Any federal assistance funds made available by an Act of Congress for programs that are consistent with the needs and goals of the state and its citizens and that are not prohibited by law. In many cases, the state must provide a match in state funds.

**Nonlapsing Funds** - The Legislature can authorize an agency to keep unused funds at the end of a fiscal year. This can be done in statute or through intent language. Otherwise, unexpended funds lapse back to their account of origin.

**Restricted Funds (GF, USF, Transportation)** - These accounts restrict revenue for specific purposes or programs.

**Retained Earnings** - The accumulated earnings of an Internal Service Fund (ISF) or Enterprise Fund (EF) which have been retained in the fund which are not reserved for any specific purpose.



## 10. Expenditures

Expenditures are goods and services needed by the various programs. needs for the proposed budget year. The three columns generally shown in the LFA analysis are the actual year, (most recent completed fiscal year), the Authorized Year, (the current fiscal year), and the Recommendation (the proposed fiscal year). These are listed in the following expenditure categories:

**Personal Services** - all personnel costs, including salary and benefits.

**Travel, in-state and out-of-state** - funding for necessary travel supports, e.g. airline tickets, rental cars, hotels, meals, etc.

**Current Expense** - general operational expenses of the programs including consultants, contracts, building maintenance, small office supplies, etc.

**Data Processing (DP)** - costs incurred to operate information technology systems, such as LAN connections, software under \$5,000, and supplies.

**DP Capital** - includes funding for computer hardware, support equipment, systems and software over \$5,000.

**Capital Outlay** - Expenditures which result in the acquisition or replacement of fixed assets other than computers & related hardware.

**Pass-Through** - Funds that are collected by the program or agency and “passed-through” to another group for services or expenditure.



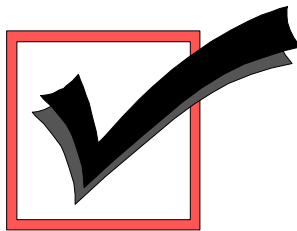
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## 11. Budget Hearings

All legislators are assigned to one of nine Joint Appropriations Subcommittees. These Subcommittees hold open meetings with the agencies and the public to perform an important phase of legislative oversight and decide the allocation of available funds.

During the budget hearings, agencies will be requesting new funding or justifying the continuance of existing funding levels. They may ask for more FTE's, current expense, or capital outlay. They may show charts, tables, and other data to illustrate their workload and/or how efficient they are.

As a legislator, it will be important for you to ask appropriate questions to allow for better understanding of the agency function. The section that follows provides a checklist of questions you may want to ask. These lists are not meant to be all inclusive.



## **12. Check list**

### **Program Alternatives**

Questions to ask may include:

- [ ] What is the statutory mission of this program?
- [ ] Does the program activity relate to the overall mission?
- [ ] How does this fulfill the statutory requirements as established in Utah Code?
- [ ] Are these program activities duplicating the services of another program or agency?
- [ ] Is the program effective?
- [ ] Is the program efficient?
- [ ] What is the cost/benefit of the program, how is it measured and by whom?

### **Funding Sources**

Questions to ask may include:

- [ ] What sources of revenue drive this program budget?
- [ ] Is there an evident funding trend or pattern?
- [ ] Have any sources been underbudgeted, especially Dedicated Credits or Restricted Accounts?
- [ ] Is projected growth consistent with the previous years? What would account for any changes?
- [ ] Is other revenue available for this budget?
- [ ] If there are Nonlapsing Funds, how much money is being carried forward from year to year? Why?

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## Expenditures

Questions to ask may include:

- [ ] Which expenditure categories experienced the biggest changes in expenditure levels? Why?
- [ ] How do the changes in an expenditure category compare to the overall program funding changes? How does this compare to the rate of inflation or changes in demographics?
- [ ] Are there historical patterns associated with over- or under-expenditures?
- [ ] Is there a particular category or subcategory which drives a the major change in the overall budget? Why?
- [ ] What would happen if this program were eliminated or reduced? Who would be affected?
- [ ] Are there performance measures which can be evaluated?
- [ ] Can a budgetary change be justified?
  
- [ ] If bonding is used, what amount of debt service is needed to finance the bonds?

**FTEs (Personnel)**

Questions to ask may include:

- [ ] Is the FTE level appropriate for the workload?
- [ ] Are there workload benchmarks? If so, what are they?
- [ ] What are the workload indicators?
- [ ] Is there an inordinate amount of overtime being paid?
- [ ] Have turnover savings been factored into this budget?
- [ ] What factors may be affecting future FTE levels, e.g. Olympics, new jails, changes in student enrollment, etc.
- [ ] Are the grade levels of the various positions appropriate?

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## General

Questions to ask may include:

- [ ] What is the statutory mission of the program?
- [ ] Is this program essential to the people of the State?
- [ ] What are the workload trends - is enrollment or service demands increasing or decreasing?
- [ ] Does this activity duplicate efforts by another agency?
- [ ] Does today's funding decision have future implications, e.g. ongoing maintenance requirements, impact on other services or agencies, etc.?
- [ ] Could this activity be more effectively done privately?
- [ ] What performance measures are available now? What can be expected for the future?
- [ ] Does the Agency have additional information that may assist in the budget decision making?
- [ ] Does the Staff Fiscal Analyst have additional information that may assist in the budget decision making?



### 13. Glossary of Terms

**Appropriation** - A legislative authorization to make expenditures and incur obligations.

#### **Bonding**

**General Obligation Bonds** - G.O. debt is secured by the full faith and credit of the State and its ability to tax its citizens and is limited both by the Constitution and statute. G.O. debt is the least expensive tool available to the state for long term borrowing and is usually issued for six year terms.

**Lease Revenue Bonds** - The State Building Ownership Authority, issues revenue bonds as the official owner of state facilities. Debt service (usually paid over 20 years) is funded through rents collected from user agencies and carries an interest rate slightly higher than general obligation debt.

**Revenue Bonds** – Revenue bonds are similar to lease revenue bonds but are funded through a dedicated source other than a lease payment. Revenue debt service comes primarily from sales revenue such as at State Liquor stores or from auxiliary functions (such as student housing) at institutions of higher education.

**Budget** - Estimates of proposed expenditures and expected revenues for a fiscal year

**Building Blocks** - Funding increases or decreases to existing programs.

**Enterprise Funds** - Funds established by a governmental unit which operates much like a business. Used by governmental units that cover most or all of their operating costs through user charges.

**Fiscal Year** - A period at the end of which the state ascertains its financial conditions. The state's fiscal year runs from July 1 through June 30. The federal fiscal year is from Oct. 1 through Sept. 30.

**FTE** - is the abbreviation for "Full Time Equivalent" position or employee. One person working a full 40 hour week is equal to 1 FTE. Two people working part-time 20 hour weeks are equal to 1 FTE. It is a method of standardizing the personnel count.

**Intent Language** - A statement, proposed by an agency, legislator, or legislative committee, requiring that certain actions be taken relative to a particular program. These statements become part of an Appropriation Act but expire at the end of the fiscal year. Intent language cannot replace or supersede current statutes.

**Internal Service Funds** - A fund established by a governmental unit to provide goods and services, primarily to other governmental agencies which will be financed through user charges.

**Line Item** - Each appropriated sum is identified by an item number in an appropriations bill. Each line item appropriation may have several programs. Once the appropriation becomes law funds can be moved from program to program within the line item, but cannot be moved from one line item to another.

**Legislative Oversight** - the responsibility of the legislature to review operations of executive and judicial agencies.

**One-time vs. Ongoing Funding** - Both revenue and expenditures may be one-time (short distinct period of time) or ongoing (lasting from year to year). Funding and expenditures should match time frames. One-time revenues such as inheritance tax and year end surpluses, should be spent on one-time expenditures.

**Retained Earnings** - The accumulated earnings of an Internal Service Fund (ISF) or Enterprise Fund (EF) which have been retained in the fund and which are not reserved for any specific purpose.

**Supplemental Appropriation** - Generally, an increase in current year appropriations above the original legislative appropriation. Supplemental appropriations could also be a reduction in the current appropriation.



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## 14. Resources - Analysts

Office web site: [www.le.state.ut.us/lfa](http://www.le.state.ut.us/lfa)

Legislative Fiscal Analyst

**John Massey**

Economist

**Andrea Wilko**

Executive Offices, Criminal Justice

**William K. Dinehart**

**Andrea Wilko**

Capital Facilities and Administrative Services

**Kevin Walthers**

**Jonathan Ball**

Commerce and Revenue

**William J. Greer**

**Jonathan Ball**

Economic Development & Human Resources

**Stanley R. Eckersley**

Health and Human Services

**Spencer Pratt**

**Thor Nilsen**

Higher Education

**Boyd Garriott**

**Debbie Headden**

Natural Resources

**Steve Allred**

Public Education

**Michael Kjar**

**Gary Ricks**

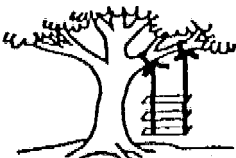
**Ben Leishman**

Transportation and Environmental Quality

**Mark Bleazard**

*(Please direct comments or suggestions regarding this pamphlet to William Greer at (801) 538-1034 or [wgreer@le.state.ut.us](mailto:wgreer@le.state.ut.us))*

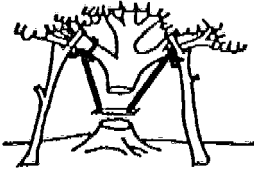
## COMMUNICATIONS !!!



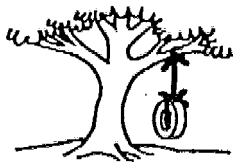
As the Department  
Director Requested it



As the Program  
Manager Designed it



As the Legislature  
Enacted it



As the Public  
Wanted it